

02

QUARTERLY REPORT

LICENSEE: GREATER BAY HOTEL AND CASINO, INC.

FOR THE QUARTER ENDED DECEMBER 31, 2002

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

AMENDED
7/7/03

AS OF DECEMBER 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 18,834	\$ 19,507
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2002, \$11,301; 2001, \$14,406).....	5,001	8,948
4	Inventories.....	1,857	2,431
5	Prepaid Expenses and Other Current Assets..... Note 12....	4,423	3,024
6	Total Current Assets.....	30,115	33,910
7	Investments, Advances, and Receivables.....	10,069	9,302
8	Property and Equipment - Gross..... Note 13.....	195,717	184,028
9	Less: Accumulated Depreciation and Amortization..... Note 13.....	(26,095)	(13,016)
10	Property and Equipment - Net..... Note 13.....	169,622	171,012
11	Other Assets.....	3,117	3,871
12	Total Assets.....	\$ 212,923	\$ 218,095
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 5,598	\$ 6,843
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 2,4,6....	6,500	-
16	Other..... Note 4.....	-	19
17	Income Taxes Payable and Accrued..... Note 5.....	29	-
18	Other Accrued Expenses..... Note 14.....	13,215	14,340
19	Other Current Liabilities..... Note 15.....	3,021	3,818
20	Total Current Liabilities.....	28,363	25,020
	Long-Term Debt:		
21	Due to Affiliates..... Note 2 and 4.....	110,000	110,000
22	Other..... Note 4.....	-	352
23	Deferred Credits.....	-	-
24	Other Liabilities..... Note 16.....	3,445	3,839
25	Commitments and Contingencies		
26	Total Liabilities.....	141,808	139,211
27	Stockholders', Partners', Or Proprietor's Equity.....	71,115	78,884
28	Total Liabilities and Equity.....	\$ 212,923	\$ 218,095

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenue:		
1	Casino.....	\$ 206,417	\$ 232,370
2	Rooms.....	11,140	11,570
3	Food and Beverage.....	23,305	29,408
4	Other.....	3,739	4,682
5	Total Revenue.....	244,601	278,030
6	Less: Promotional Allowances..... Note 3.....	51,127	62,281 *
7	Net Revenue.....	193,474	215,749 *
	Costs and Expenses:		
8	Cost of Goods and Services.....	134,228	149,358
9	Selling, General, and Administrative..... Note 3.....	36,575	41,868 *
10	Provision for Doubtful Accounts.....	1,547	4,991
11	Total Costs and Expenses.....	172,350	196,217 *
12	Gross Operating Profit.....	21,124	19,532
13	Depreciation and Amortization.....	13,936	10,895
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	7,188	8,637
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	(11,334)	(10,893)
18	Interest (Expense) - External.....	(307)	(386)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(1,521)	(1,238)
20	Nonoperating Income (Expense) - Net.....	(1,021)	606
21	Total Other Income (Expenses).....	(14,183)	(11,911)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(6,995)	(3,274)
23	Provision (Credit) for Income Taxes..... Note 5.....	774	-
24	Income (Loss) Before Extraordinary Items.....	(7,769)	(3,274)
	Extraordinary Items (Net of Income Taxes -		
25	2002, \$ - - ; 2001, \$ - -).....	-	-
26	Net Income (Loss).....	\$ (7,769)	\$ (3,274)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE	DESCRIPTION	2002	2001
(a)	(b)	(c)	(d)
	Revenue:		
1	Casino.....	\$ 44,972	\$ 51,538
2	Rooms.....	2,475	2,667
3	Food and Beverage.....	5,005	6,883
4	Other.....	864	1,039
5	Total Revenue.....	53,316	62,127
6	Less: Promotional Allowances..... Note 3.....	12,466	12,851
7	Net Revenue.....	40,850	49,276
	Costs And Expenses:		
8	Cost of Goods and Services.....	31,305	35,102
9	Selling, General, and Administrative..... Note 3.....	8,929	10,047
10	Provision for Doubtful Accounts.....	295	2,367
11	Total Costs and Expenses.....	40,529	47,516
12	Gross Operating Profit.....	321	1,760
13	Depreciation and Amortization.....	4,358	3,199
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	(4,037)	(1,439)
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	(2,935)	(1,818)
18	Interest (Expense) - External.....	(65)	(87)
19	Investment Alternative Tax and Related Income (Expense) - Net...	(458)	(282)
20	Nonoperating Income (Expense) - Net.....	(106)	126
21	Total Other Income (Expenses).....	(3,564)	(2,061)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(7,601)	(3,501)
23	Provision (Credit) for Income Taxes..... Note 5.....	(52)	(590)
24	Income (Loss) Before Extraordinary Items.....	(7,549)	(2,911)
25	Extraordinary Items (Net of Income Taxes - 2002, \$ - ; 2001, \$ -).....	-	-
26	Net Income (Loss).....	\$ (7,549)	\$ (2,911)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2000	100	\$ -		\$	65,859	\$	(7,500)	\$ 58,359
2	Net Income (Loss) - 2001.....							(3,274)	(3,274)
3	Contribution to Paid-in-Capital.....					23,800			23,800
4	Dividends.....								
5	Prior Period Adjustments.....							(1)	(1)
6									
7									
8									
9									
10	Balance, December 31, 2001.....	100	\$ -		\$	89,659		(10,775)	\$ 78,884
11	Net Income (Loss) - 2002.....							(7,769)	(7,769)
12	Contribution to Paid-in - Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, December 31, 2002.....	100	\$ -		\$	89,659	\$	(18,544)	\$ 71,115

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

AMENDED
 7/7/03

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 9,224	\$ 4,231
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(14,058)	(23,095)
5	Proceeds from Disposition of Property and Equipment.....	320	4
6	Purchase of Casino Reinvestment Obligations.....	(2,496)	(2,838)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	208	114
9	Cash Outflows to Acquire Business Entities (net of cash acquired).	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(16,026)	(25,815)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	6,500	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(371)	(467)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	23,800
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	6,129	23,333
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(673)	1,749
25	Cash And Cash Equivalents At Beginning Of Period.....	19,507	17,758
26	Cash And Cash Equivalents At End Of Period.....	\$ 18,834	\$ 19,507

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 11,362	\$ 10,949
28	Income Taxes.....	\$ 1,745	\$ 150

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (7,769)	\$ (3,274)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment....	13,182	10,519
31	Amortization of Other Assets.....	754	376
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	(682)	292
35	(Gain) Loss on Disposition of Property and Equipment.....	1,467	20
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,521	1,238
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	3,935	2,061
39	Net (Increase) Decrease in Inventories.....	574	420
40	Net (Increase) Decrease in Other Current Asset	(789)	502
41	Net (Increase) Decrease in Other Assets.....	-	(1,971)
42	Net Increase (Decrease) in Accounts Payable.....	(1,245)	(2,979)
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	(2,244)	(3,188)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	520	215
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 9,224	\$ 4,231

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 14,058	\$ 23,095
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 14,058	\$ 23,095
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$ -	\$ 23,800
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -	\$ 23,800

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO
**SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	325,944	\$ 7,700		\$
2	Food	498,774	7,080		
3	Beverage	3,205,137	4,364		
4	Travel			1,265	718
5	Bus Program Cash	775,568	12,014		
6	Other Cash Complimentaries	308,022	19,337		
7	Entertainment	9,661	361		
8	Retail & Non-Cash Gifts			912,927	5,330
9	Parking			437,915	657
10	Other	33,820	271		
11	Total	5,156,926	\$ 51,127	1,352,107	\$ 6,705

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	74,659	\$ 1,925		\$
2	Food	101,453	1,378		
3	Beverage	527,155	985		
4	Travel			164	72
5	Bus Program Cash	194,834	3,301		
6	Other Cash Complimentaries	93,494	4,686		
7	Entertainment	3,309	124		
8	Retail & Non-Cash Gifts			208,847	1,282
9	Parking			98,335	148
10	Other	8,334	67		
11	Total	1,003,238	\$ 12,466	307,346	\$ 1,502

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Organization, Business and Basis of Presentation

Greate Bay Hotel and Casino, Inc. ("GBHC") is a New Jersey corporation and wholly owned subsidiary of GB Holdings, Inc. ("Holdings") is a Delaware corporation. Holdings was a wholly owned subsidiary of Pratt Casino Corporation ("PCC") through December 31, 1998. PCC, a Delaware corporation, was incorporated in September 1993 and was wholly owned by PPI Corporation ("PPI"), a New Jersey corporation and a wholly owned subsidiary of Greate Bay Casino Corporation ("GBCC"). Effective after December 31, 1998, PCC transferred 21% of the stock ownership in Holdings to PBV, Inc. ("PBV"), a newly formed entity controlled by certain stockholders of GBCC. As a result of a certain confirmed plan of reorganization of PCC and others in October 1999, the remaining 79% stock interest of PCC in Holdings was transferred to Greate Bay Holdings, LLC ("GBLLC"), whose sole member as a result of the same reorganization was PPI. In February 1994, Holdings acquired Greate Bay Hotel and Casino, Inc. ("GBHC"), a New Jersey corporation, through a capital contribution by its then parent. GBHC's principal business activity is its ownership of the Sands Hotel and Casino located in Atlantic City, New Jersey (the "Sands"). GB Property Funding Corp. ("GB Property Funding"), a Delaware corporation and a wholly owned subsidiary of Holdings, was incorporated in September 1993 as a special purpose subsidiary of Holdings for the purpose of borrowing funds for the benefit of GBHC. Holdings has no operating activities and its only source of income is interest on cash equivalent investments. Effective September 2, 1998, GBHC acquired the membership interests in Lieber Check Cashing LLC ("Lieber"), a New Jersey limited liability company that owned a land parcel adjacent to GBHC.

The accompanying consolidated financial statements include the accounts and operations of GBHC and Lieber. All significant intercompany balances and transactions have been eliminated.

The Sands is located in Atlantic City, New Jersey on approximately 6.1 acres of land one-half block from the Boardwalk at Brighton Park between Indiana Avenue and Dr. Martin Luther King, Jr. Boulevard. The Sands facility currently consists of a casino and simulcasting facility with approximately 79,000 square feet of gaming space containing approximately 2,322 slot machines and approximately 40 table games; a hotel with 637 rooms (including 57 suites); six restaurants; one cocktail lounge; two private lounges for invited guests; an 800-seat cabaret theater; retail space; an adjacent nine-story office building with approximately 77,000 square feet of office space for its executive, financial and administrative personnel; the "People Mover", an elevated, enclosed, one-way moving sidewalk connecting the Sands to the Boardwalk using air rights granted by an easement from the City of Atlantic City and a garage and surface parking for approximately 1,750 vehicles.

On January 5, 1998, Holdings, GBHC and GB Property Funding petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). On August 14, 2000, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Modified Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Proposed by the Official Committee of Unsecured Creditors and High River Limited Partnership and its affiliates (the "Plan") for Holdings, GBHC and GB Property Funding. High River Limited Partnership ("High River") is an entity controlled by Carl C. Icahn. On September 13, 2000,

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

the New Jersey Casino Control Commission (the "Commission") approved the Plan. On September 29, 2000, the Plan became effective (the "Effective Date") (see Note 2). All material conditions precedent to the Plan becoming effective were satisfied on or before September 29, 2000. Accordingly, the accompanying consolidated financial statements have been prepared in accordance with Statement of Position No. 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"). In addition, as a result of the Confirmation Order and the occurrence of the Effective Date, and in accordance with SOP 90-7, GBHC has adopted "fresh start reporting" in the preparation of the accompanying consolidated financial statements. GBHC's emergence from Chapter 11 resulted in a new reporting entity with no retained earnings or accumulated deficit as of September 30, 2000.

A significant amount of the Sands' revenues are derived from patrons living in northern New Jersey, southeastern Pennsylvania and metropolitan New York City. Competition in the Atlantic City gaming market is intense and management believes that this competition will continue or intensify in the future, especially with the expected opening of a new gaming property in Atlantic City in 2003.

(2) Financial Reorganization

On the Effective Date, GB Property Funding's existing debt securities, consisting of its 10 7/8% First Mortgage Notes due January 15, 2004 (the "Old Notes") and all of Holdings' issued and outstanding shares of common stock owned by PBV and GBLLC (the "Old Common Stock"), were cancelled. As of the Effective Date, an aggregate of 10,000,000 shares of new common stock of Holdings (the "New Common Stock") were issued and outstanding, and \$110,000,000 of 11% First Mortgage Notes due 2005 were issued by GB Property Funding (the "New Notes"). Holders of the Old Notes received a distribution of their pro rata shares of (i) the New Notes and (ii) 5,375,000 shares of the New Common Stock (the "Stock Distribution"). In addition, \$65,000,000 in cash was obtained from affiliates of the majority shareholder.

Pursuant to SOP 90-7, "fresh start reporting" has been reflected as of September 30, 2000 in the accompanying consolidated financial statements because: (i) the sum of the allowed claims, plus postpetition liabilities, exceeded the reorganization value of the preconfirmation assets of the emerging entity and (ii) Holdings experienced a change of control (as defined in SOP 90-7). SOP 90-7 requires under these circumstances the creation of a new reporting entity and the recording of assets and liabilities at their fair values. In support of the restructuring process, Holdings retained an independent third party to determine, among other things, the value of the equity of Holdings. This independent third party set the value of the equity between a range of \$11 and \$14 per share. The Bankruptcy Court, considering the testimony of that third party and others offered at the confirmation hearing on the Plan, accepted this range and used the mid-point of \$12.50 per share for the purpose of determining the value of the unsecured portion of the claim of the holders of the Old Notes. For these reasons, Holdings has set the value of the post confirmation assets of the reorganized entity based upon that value of the equity and the New Notes and by the post petition liabilities assumed. The resulting difference between the equity, New Notes and post petition liability assumed and the liabilities subject to compromise and equity eliminated has been allocated to long term assets based upon a pro rata determination of their fair values, as required by SOP 90-7.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

(3) Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are discussed below. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Casino revenues, promotional allowances and departmental expenses -

The Sands recognizes the net win from gaming activities (the difference between gaming wins and losses) as casino revenues. Casino revenues are net of accruals for anticipated payouts of progressive and certain other slot machine jackpots. Such anticipated jackpots and payouts are included in gaming liabilities on the accompanying consolidated balance sheets.

In 2001, the Emerging Issues Task Force (the "EITF") reached a consensus on Issue No. 01-09: "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" ("EITF 01-09"). For a sales incentive offered voluntarily by a vendor to its patrons, EITF 01-09 requires the vendor to recognize the cost of the sales incentive at the later of the date at which the related revenue is recorded by the vendor, or the date at which the sales incentive is offered. Application of EITF 01-09 is required in annual or interim financial statements for periods beginning after December 15, 2001. EITF 01-09 requires, among other things, that cash or other consideration provided to customers as part of a transaction is presumed to be a reduction in revenue unless the vendor is able to establish both that it received or will receive a separate identifiable benefit and the fair value of the benefit can be reasonably estimated. GBHC offers cash inducements to encourage visitation and play at the casino and, as GBHC was unable to meet the criteria as discussed in EITF 01-09, these costs have been classified as promotional allowances on the accompanying consolidated statements of operations.

With the adoption of the new standards, the prior year periods presented have been reclassified to conform to the new presentation. This resulted in a \$6.4 million and a \$36.1 million increase in promotional allowances (and a corresponding reduction in casino expenses) for the three months and the year ended December 31, 2001, respectively. Application of the requirements of EITF 01-09 do not have an impact on previously reported operating income or net income and have no impact on the previously reported consolidated financial statements other than the reclassifications noted above.

Cash and cash equivalents -

Cash and cash equivalents are generally comprised of cash and investments with original maturities of three months or less, such as commercial paper, certificates of deposit and fixed repurchase agreements.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Allowance for doubtful accounts -

In its normal course of business the Sands incurs receivables arising from credit provided to casino customers, hotel customers and accrued interest receivable. The allowance for doubtful accounts adjusts these gross receivables to Management's estimate of their net realizable value. The provision for doubtful accounts charged to expense is determined by Management based on a periodic review of the receivable portfolio. This provision is based on estimates, and actual losses may vary from these estimates. The allowance for doubtful accounts is maintained at a level that Management considers adequate to provide for possible future losses. Provisions for doubtful accounts amounting to \$1,586,000 and \$4,991,000 for the years ended December 31, 2002 and 2001, respectively, were recorded in the accompanying consolidated statements of income.

Inventories -

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market.

Property and equipment -

As of the Effective Date, property and equipment were restated pursuant to SOP 90-7 (see Note 2) and are being depreciated utilizing the straight line method over their remaining estimated useful lives.

Property and equipment purchased after the Effective Date have been recorded at cost and are being depreciated utilizing the straight-line method over their estimated useful lives as follows:

Buildings and improvements	25-40 years
Operating equipment	3-7 years

Interest costs related to property and equipment acquisitions are capitalized during the acquisition period and are being amortized over the useful lives of the related assets.

Deferred financing costs -

The costs of issuing long-term debt, including all related underwriting, legal, directors and accounting fees, were capitalized and are being amortized over the term of the related debt issue. Deferred financing costs of \$180,000 were incurred in connection with GB Property Funding's offering of \$110,000,000 11% New Notes. During 2001, additional costs associated with a Consent Solicitation by GB Property Funding to modify the original indenture for the \$110,000,000 New Notes were capitalized and are also being amortized over the remaining term of the New Notes. Total Consent Solicitation costs, including expenses, amounted to \$2,083,000 in 2001 (see Note 4). For the years ended December 31, 2002 and 2001, amortization of deferred financing costs were \$555,000 and \$174,000, respectively.

Long-lived assets -

In 2002, GBHC adopted FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS No. 144"), which excludes from the definition of long-

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

lived assets goodwill and other intangibles that are not amortized in accordance with FAS No. 142. FAS No. 144 requires that long-lived assets to be disposed of by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. FAS No. 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. The adoption of FAS No. 144 did not have a material impact on GBHC's consolidated financial statements.

GBHC periodically reviews long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairments are recognized when the expected future undiscounted cash flows derived from such assets are less than their carrying value. For such cases, losses are recognized for the difference between the fair value and the carrying amount. Assets to be disposed of by sale or abandonment, and where management has the current ability to remove such assets from operations, are recorded at the lower of carrying amount or fair value less cost of disposition. Depreciation for these assets is suspended during the disposal period, which is generally less than one year. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived assets and possible impairment expense in GBHC's consolidated financial statements.

As of September 30, 2000, assets were valued in accordance with SOP 90-7 (see Note 2). As a result of this and subsequent reviews and adjustment, Management does not believe that any material impairment currently exists related to its long-lived assets.

Accrued insurance -

GBHC is self insured for a portion of its general liability, certain health care and other liability exposures. A third party insures losses over prescribed levels. Accrued insurance includes estimates of such accrued liabilities based on an evaluation of the merits of individual claims and historical claims experience. Accordingly, GBHC's ultimate liability may differ from the amounts accrued.

Income taxes -

Prior to 1997, GBHC was included in the consolidated federal income tax return of Hollywood Casino Corporation ("HCC"). GBHC's operations were included in GBCC's consolidated federal income tax returns for the years ended December 31, 1998 and 1997, but GBCC agreed to allow GBHC to become deconsolidated from the GBCC group effective after December 31, 1998. In accordance therewith, PCC transferred 21% of the stock ownership in Holdings to PBV, effecting the deconsolidation of GBHC from the GBCC group for federal income tax purposes (the "Deconsolidation"). Accordingly, beginning in 1999, GBHC's provision for federal income taxes is calculated and paid on a consolidated basis.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which temporary differences are

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period of the enactment date.

New Accounting Pronouncements –

On January 1, 2003, GBHC adopted FAS No. 143, "Asset Retirement Obligations" ("SFAS No. 143"), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The adoption of FAS No. 143 is not expected to have a material impact on GBHC's consolidated financial statements.

In June 2002, the FASB issued FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("FAS No. 146"). FAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3") and requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value in the period in which the liability is incurred. Under EITF 94-3, a liability for an exit cost was required to be recognized at the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 is expected to result in delayed recognition for certain types of costs as compared to the provisions of EITF 94-3. FAS No. 146 is effective for new exit or disposal activities that are initiated after December 31, 2002, and does not affect amounts currently reported in GBHC's consolidated financial statements. FAS No. 146 will affect the types and timing of costs included in future restructuring programs, if any.

On January 1, 2003, GBHC will adopt FAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("FAS No. 148"), which provides alternative methods of transition for companies that choose to switch to the fair value method of accounting for stock options. SFAS No. 148 also makes changes in the disclosure requirements for stock-based compensation, regardless of which method of accounting is chosen. The adoption of SFAS No. 148 is not expected to have any impact on GBHC's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("Interpretation No. 45"). Interpretation No. 45 requires the disclosure of certain guarantees existing at December 31, 2002. GBHC had no guarantees meeting the requirements of Interpretation No. 45 at December 31, 2002. In addition, Interpretation No. 45 requires the recognition of a liability for the fair value of the obligation of qualifying guarantee activities that are initiated or modified after December 31, 2002. Accordingly, GBHC will apply the recognition provisions of Interpretation No. 45 prospectively to applicable guarantee activities initiated after December 31, 2002.

Reclassifications -

Certain reclassifications have been made to prior years' consolidated financial statements to conform to the current year consolidated financial statement presentations.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Amended
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(4) Long-Term Debt (AMENDED)

Long-term debt is comprised of the following:

	December 31, 2002	December 31, 2001
11% notes, due September 29, 2005 (a)	\$ 110,000,000	\$ 110,000,000
Due to Holdings	6,500,000	-
Other	-	371,000
Total indebtedness	116,500,000	110,371,000
Less - current maturities	(6,500,000)	(19,000)
Total long-term debt	<u>\$ 110,000,000</u>	<u>\$ 110,352,000</u>

- (a) As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, the Old Notes were cancelled and replaced with \$110,000,000 of 11% notes due 2005 ("New Notes"). Interest on the New Notes is payable on March 29 and September 29, beginning March 29, 2001. The outstanding principal is due on September 29, 2005. The New Notes are unconditionally guaranteed, on a joint and several basis, by both Holdings and GBHC, and are secured by substantially all of the assets, as of the Effective Date, other than cash and gaming receivables of Holdings and GBHC.

The original indenture for the New Notes contained various provisions, which, among other things, restricted the ability of Holdings, and GBHC to incur certain senior secured indebtedness beyond certain limitations, and contained certain other limitations on the ability to merge, consolidate, or sell substantially all of their assets, to make certain restricted payments, to incur certain additional senior liens, and to enter into certain sale-leaseback transactions.

In a Consent Solicitation Statement and Consent Form dated September 14, 2001, GB Property Funding sought the consent of holders of the New Notes to make certain changes to the original indenture (the "Modifications"). The Modifications included, but were not limited to, a deletion of, or changes to, certain provisions the result of which would be (i) to permit Holdings and its subsidiaries to incur any additional indebtedness without restriction, to issue preferred stock without restriction, to make distributions in respect of preferred stock and to prepay indebtedness without restriction, to incur liens without restriction and to enter into sale-leaseback transactions without restriction, (ii) to add additional exclusions to the definition of "asset sales" to exclude from the restrictions on "asset sales" sale-leaseback transactions, conveyances or contributions to any entity in which Holdings or its subsidiaries has or obtains equity or debt interests, and transactions (including the granting of liens) made in accordance with another provision of the Modifications relating to collateral release and subordination or any documents entered into in connection with an "approved project" (a new definition included as part of the Modifications which includes, if approved by the Board of Directors of Holdings,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

incurrence of indebtedness or the transfer of assets to any person if Holdings or any of its subsidiaries has or obtain debt or equity interests in the transferee or any similar, related or associated event, transaction or activity) in which a release or subordination of collateral has occurred including, without limitation, any sale or other disposition resulting from any default or foreclosure, (iii) to exclude from the operation of covenants related to certain losses to collateral, any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (iv) to permit the sale or other conveyances of Casino Reinvestment Development Authority investments in accordance with the terms of a permitted security interest whether or not such sale was made at fair value, (v) to exclude from the operation of covenants related to the deposit into a collateral account of certain proceeds of "asset sales" or losses to collateral any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (vi) to add new provisions authorizing the release or subordination of the collateral securing the New Notes in connection with, in anticipation of, as a result of, or in relation to, an "approved project", and (vii) various provisions conforming the text of the original indenture to the intent of the preceding summary of the Modifications.

Holders representing approximately 98% in principal amount of the New Notes provided consents to the Modifications. Under the terms of the original indenture, the consent of holders representing a majority in principal amount of New Notes was a necessary condition to the Modifications. Accordingly, GB Property Funding, as issuer, and Holdings and GBHC, as guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, entered into an Amended and Restated Indenture dated as of October 12, 2001, containing the Modifications to the original indenture described in the Consent Solicitation Statement (the "Amended and Restated Indenture"). In accordance with the terms of the Consent Solicitation Statement, holders of New Notes, who consented to the Modifications and who did not revoke their consents ("Consenting Noteholders"), were entitled to \$17.50 per \$1,000 in principal amount of New Notes, subject to certain conditions including entry into the Amended and Restated Indenture. Upon entry into the Amended and Restated Indenture on October 12, 2001, GBHC transferred approximately \$1.9 million to the Trustee for distribution to Consenting Noteholders.

In 2002, GBHC borrowed \$6.5 million from Holdings. The intercompany borrowing bears no interest and has no set repayment terms.

As of December 31, 2002 the only scheduled payment of long-term debt is the \$110 million for New Notes, due September 29, 2005.

Interest paid amounted to \$12,128,000 and \$12,156,000 for the years ended December 31, 2002 and 2001, respectively. At December 31, 2002 and 2001, accrued interest on the New Notes was \$3,092,000 and \$3,092,000, respectively.

GREATER BAY HOTEL AND CASINO, INC.

Amended

7-7-03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(5) Income Taxes (AMENDED)

The components of the (provision) benefit for income taxes are as follows:

	Post-reorganization	
	Year Ended December 31, 2002	Year Ended December 31, 2001
Federal income tax (provision) benefit	\$	\$
Current	-	(292,000)
Deferred	-	292,000
State income tax (provision) benefit		
Current	(774,000)	-
Deferred	-	-
	<u>\$ (774,000)</u>	<u>\$ -</u>

GREATER BAY HOTEL AND CASINO, INC.

Amended

7-7-03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for income tax purposes. The major components of deferred tax liabilities and assets as of December 31, 2002 were as follows:

	<u>2002</u>
Deferred tax assets:	
Bad debt reserve	\$ 5,137,000
Deferred financing costs	1,053,000
Group insurance	936,000
Accrued vacation	732,000
Action cash awards accrual	499,000
Jackpot accrual	337,000
Medical reserve	109,000
Other	101,000
CRDA	5,512,000
Federal and state net operating loss carryforward	8,163,000
Grantors trust income	3,570,000
Credit carryforwards	2,421,000
Other	<u>229,000</u>
Total deferred tax assets	28,799,000
Deferred tax liabilities:	
Noncurrent:	
Depreciation of plant and equipment	(18,466,000)
Chips and tokens	<u>(76,000)</u>
Total deferred tax liabilities	<u>(18,542,000)</u>
Less valuation allowance	<u>(10,257,000)</u>
Net deferred tax assets (liabilities)	\$ <u>-</u>

Federal net operating loss carryforwards were generated in 2002 and will expire in the year 2022. The enactment of the Business Tax Reform Act ("BTR") on July 2, 2002 deferred New Jersey net operating losses ("State NOL's") set to expire in 2003, for a two year period. The general business credit carryforwards expire in 2003 through 2022.

Financial Accounting Standards No. 109 ("FAS 109") requires that the tax benefit of NOL's and deferred tax assets resulting from temporary differences be recorded as an asset and, to the extent that management can not assess that the utilization of all or a portion of such NOL's and deferred tax assets is more likely than not, requires the recording of a valuation allowance. Due to various uncertainties, management is unable to determine that realization of GBHC's deferred tax asset is more likely than not and, thus, has provided a valuation allowance for the entire amount at December 31, 2002 and 2001.

GREATER BAY HOTEL AND CASINO, INC.

Amended

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

The provision for income taxes differs from the amount computed at the federal statutory rate as a result of the following:

	Year Ended December 31, 2002
Federal statutory rate	35.0%
State taxes net of federal benefit	1.6%
Permanent differences	(0.9)%
Tax credits	13.2%
Deferred tax valuation allowance	(57.8)%
Other	<u>(3.1)%</u>
	<u>(12.0)%</u>

The Internal Revenue Service has completed the examination of the consolidated federal income tax returns of HCC for the years 1995 and 1996 and the consolidated federal income tax returns for GBCC for the years 1997 and 1998 in which GBHC was included (the "Audit"). GBHC has fulfilled all obligations pertaining to its share of adjustments stemming from the audit and accounted for all impacts on its Federal NOL's and credit carryforwards.

The State of New Jersey is examining the state corporate business tax return of GBHC for the years 1996, 1997 and 1998. It is management's position that any claims by the State of New Jersey against GBHC attributable to anytime prior to January 5, 1998 is barred by applicable provisions of the Bankruptcy Code. Management is presently unable to estimate the impact of New Jersey's tax audit on the financial position or results of operations of GBHC.

As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, GBHC's outstanding debt was discharged (see Note 2). Pursuant to the Internal Revenue Code, debt that is cancelled or discharged under the Bankruptcy Code does not generate taxable income in the current period to the debtor. Instead, certain tax attributes otherwise available to the debtor are reduced. This attribute reduction is effective for tax purposes beginning January 1, 2001. Approximately \$14.9 million of GBHC's tax attributes relating to the tax bases of noncurrent assets were reduced as of January 1, 2001. Holdings also had a change of ownership as defined under Internal Revenue Code Section 382 upon the effective date of the plan. Management currently estimates there will be no significant limitations on the ability of GBHC to use its tax credit carryforwards on a post confirmation basis as a result of this change of ownership.

The State income tax provision of \$774,000 for the year ended December 31, 2002 is the alternative minimum assessment contained in the BTR.

(6) Transactions with related parties

GBHC's rights to the trade name "Sands" (the "Trade Name") were derived from a license agreement between GBCC and an unaffiliated third party. Amounts payable by the Sands for these rights were equal to the amounts paid to the unaffiliated third party. As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan,

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

GBHC was assigned by High River the rights under a certain agreement with the owner of the Trade Name to use the Trade Name as of the Effective Date. High River received no payments for its assignment of these rights. Payment is made directly to the owner of the Trade Name. The calculation of the license fee is the same as under the previous agreement. For the years ended December 31, 2002 and 2001, the license fee amounted to \$272,000 and \$268,000, respectively.

During the year ended December 31, 2002, GBHC borrowed \$6.5 million from Holdings. This borrowing is included in Due to Affiliates on the accompanying consolidated financial statements. There was no interest expense incurred with respect to affiliate advances and borrowings for the periods presented in the accompanying Statements of Income.

(7) New Jersey Regulations and Obligatory Investments

The Sands conducts gaming operations in Atlantic City, New Jersey and operates a hotel and several restaurants, as well as related support facilities. The operation of an Atlantic City casino/hotel is subject to significant regulatory control. Under the New Jersey Casino Control Act (the "Casino Act"), GBHC was required to obtain and is required to periodically renew its operating license. A casino license is not transferable and, after the initial licensing and two one-year renewal periods, is issued for a term of up to four years. The plenary license issued to the Sands was renewed by the Commission in September, 2000 and extended through September 2004. The Commission may reopen licensing hearings at any time. If it were determined that gaming laws were violated by a licensee, the gaming license could be conditioned, suspended or revoked. In addition, the licensee and other persons involved could be subject to substantial fines.

The Casino Act requires casino licensees to pay an investment alternative tax of 2.5% of Gross Revenue (the "2.5% Tax") or, in lieu thereof, to make quarterly deposits of 1.25% of quarterly Gross Revenue with the CRDA (the "Deposits"). The Deposits are then used to purchase bonds at below-market interest rates from the CRDA or to make qualified investments approved by the CRDA. The CRDA administers the statutorily mandated investments made by casino licensees and is required to expend the monies received by it for eligible projects as defined in the Casino Act. The Sands has elected to make the Deposits with the CRDA rather than pay the 2.5% Tax.

As of December 31, 2002 and 2001, the Sands had purchased bonds totaling \$6,946,000 and \$6,980,000, respectively. In addition, the Sands had remaining funds on deposit and held in escrow by the CRDA at December 31, 2002 and 2001, of \$13,151,000 and \$11,612,000, respectively. The bonds purchased and the amounts on deposit and held in escrow are collectively referred to as "obligatory investments" on the accompanying consolidated financial statements.

Obligatory investments at December 31, 2002 and 2001, are net of accumulated valuation allowances of \$10,028,000 and \$9,290,000, respectively, based upon the estimated realizable values of the investments. Provisions for valuation allowances for the years ended December 31, 2002 and 2001 amounted to \$1,249,000 and \$1,341,000, respectively.

The Sands has, from time to time, contributed certain amounts held in escrow by the CRDA to fund CRDA sponsored projects. During 2002, the Sands contributed \$925,000 of its escrowed funds to CRDA sponsored projects and received \$116,000 in a cash refund. In 2001, the Sands contributed \$322,000 of its escrowed funds to CRDA sponsored projects and received \$80,000 in

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

a cash refund and \$84,000 in waivers of certain future Deposit obligations. During the three months ended December 31, 2000, the Sands contributed \$3,310,000 of its escrowed funds to a CRDA sponsored project and received a cash refund of \$828,000 in consideration for the contribution. Prior to this, the CRDA had granted the Sands waivers of certain of its future Deposit obligations in consideration of similar contributions. Other assets aggregating \$811,000 and \$1,010,000, respectively, have been recognized on the accompanying consolidated balance sheets at December 31, 2002 and 2001, and are being amortized over a period of ten years commencing with the completion of the projects. Amortization of other assets totaled \$198,000 and \$202,000, for the years ended December 31, 2002 and 2001, respectively.

(8) Legal Proceedings

GBHC filed tax appeals with the New Jersey Tax Court (the "NJ Tax Court") challenging the amount of its real property assessment for calendar years 1996 through 2001, inclusive, and filed an appeal for calendar year 2002 with the Atlantic County Tax Board ("AC Tax Board"). The City of Atlantic City also appealed the amount of assessments for the years 1996 through 2001, inclusive, and filed a cross-petition with the Atlantic County Tax Board for calendar year 2002. The AC Tax Board declined to hear the appeal and therefore the appeal and cross-petition for calendar year 2002 is now pending before the NJ Tax Court. The Sands has also filed a tax appeal for calendar year 2003 with the New Jersey Tax Court and it is expected that the City of Atlantic City will file a counterclaims.

GBHC discovered certain failures relating to currency transaction reporting and self-reported the situation to the applicable regulatory agencies. GBHC conducted an internal examination of the matter and the New Jersey Division of Gaming Enforcement conducted a separate review. GBHC has revised internal control processes and taken other measures to address the situation. GBHC may be subjected to regulatory sanctions, which may include cash penalties. However, the potential cash penalties cannot be estimated at this time.

GBHC is a party in various legal proceedings with respect to the conduct of casino and hotel operations and has received employment related claims. Although a possible range of losses cannot be estimated, in the opinion of management, based upon the advice of counsel, GBHC does not expect settlement or resolution of these proceedings or claims to have a material adverse impact upon the consolidated financial position or results of operations of GBHC, but the outcome of litigation and the resolution of claims is subject to uncertainties and no assurances can be given. The accompanying consolidated financial statements do not include any adjustments that might result from these uncertainties.

On February 26, 2003, the Sands received a letter from counsel for Mr. Frederick H. Kraus, Executive Vice President, General Counsel and Secretary, indicating that he had been retained to represent Mr. Kraus "in regards to a constructive discharge, breach of contract, severance pay" and other claims. This matter has been referred to legal counsel for evaluation.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

(9) Acquisition of Claridge Administration Building

In April 2000, GBHC entered into an agreement with the entities controlling the Claridge Hotel and Casino (the "Claridge") to acquire the Claridge Administration Building. The purchase price was \$3.5 million, consisting of \$1.5 million in cash at closing and \$2.0 million consideration tendered through the elimination for 40 months of a \$50,000 monthly license fee paid by the Claridge to GBHC, under an agreement between the Claridge and GBHC governing the development and operation of the "People Mover" leading from the boardwalk to the Sands and the Claridge. The present value of the \$2.0 million consideration has been recorded in other accrued and other noncurrent liabilities sections of the balance sheet. GBHC reduces and adjusts the respective liabilities as it records the People Mover license fee in other income and interest expense at an imputed rate of 10%. At December 31, 2002, \$339,000 remained in other accrued liabilities related to the Claridge Administration Building acquisition.

(10) Employee Retirement Savings Plan

Effective January 1, 1999, GBHC administers and participates in the Sands Retirement Plan, a qualified defined contribution plan for the benefit of all of GBHC's employees, who satisfy certain eligibility requirements.

The Sands Retirement Plan is qualified under the requirements of Section 401(k) of the Internal Revenue Code allowing participating employees to benefit from the tax deferral opportunities provided therein. All employees of GBHC, who have completed one year of service, as defined, and who have attained the age of 21, are eligible to participate in the Savings Plan.

The Sands Retirement Plan provides for a matching contribution by GBHC based upon certain criteria, including levels of participation by GBHC's employees. GBHC incurred matching contributions totaling \$575,000 and \$700,000, for the years ended December 31, 2002 and 2001, respectively.

(11) Disclosures about Fair Value of Financial Instruments

Disclosure of the estimated fair value of financial instruments is required under FAS No 107, "Disclosure About Fair Value of Financial Instruments." The fair value estimates are made at discrete points in time based on relevant market information and information about the financial instruments. These estimates may be subjective in nature and involve uncertainties and significant judgment and therefore cannot be determined with precision.

Cash and cash equivalents are valued at the carrying amount. Such amount approximates the fair value of cash equivalents because of the short maturity of these instruments.

Obligatory investments are valued at a carrying amount which includes an allowance reflecting the below market interest rate associated with such investments.

Other debt obligations with a short remaining maturity are valued at the carrying amount.

GREATER BAY HOTEL AND CASINO, INC.

Amended

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

New Notes are valued at the market closing price on December 31, 2002 and 2001, respectively as reported by the American Stock Exchange.

The estimated carrying amounts and fair values of GBHC's financial instruments at December 31, 2002 and 2001 are as follows:

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and cash equivalents	\$ 50,645,000	\$ 50,645,000	\$ 57,369,000	\$ 57,369,000
Obligatory investments, net	10,069,000	10,069,000	9,302,000	9,302,000
Financial Liabilities:				
Interest payable	3,092,000	3,092,000	3,092,000	3,092,000
New Notes	110,000,000	88,000,000	110,000,000	90,750,000
Other Notes Payable	-	-	371,000	371,000

(12) Prepaid Expenses and Other Current Assets (AMENDED)

As of December 31, 2002 and 2001, prepaid expenses and other current assets consisted of the following:

	<u>2002</u>	<u>2001</u>
Prepaid expenses	\$ 2,712,000	\$ 1,854,000
Deferred income taxes and income tax receivable	1,359,000	759,000
Deposits	150,000	209,000
Other current assets	202,000	202,000
	<u>\$ 4,423,000</u>	<u>\$ 3,024,000</u>

GREATER BAY HOTEL AND CASINO, INC.

Amended

7-7-03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(13) Property and Equipment (AMENDED)

As of December 31, 2002 and 2001, property and equipment consisted of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 54,344,000	\$ 54,814,000
Buildings and improvements	91,657,000	84,890,000
Operating equipment	46,119,000	27,321,000
Construction in progress	3,597,000	17,003,000
	<u>195,717,000</u>	<u>184,028,000</u>
Less: accumulated depreciation and amortization	<u>(26,095,000)</u>	<u>(13,016,000)</u>
Net property and equipment	<u>\$ 169,622,000</u>	<u>\$ 171,012,000</u>

(14) Other Accrued Expenses

As of December 31, 2002 and 2001, other accrued expenses consisted of the following:

	<u>2002</u>	<u>2001</u>
Accrued interest	\$ 3,092,000	\$ 3,092,000
Accrued salaries & wages	2,997,000	3,162,000
Accrued insurance	1,805,000	1,670,000
Accrued payroll taxes	720,000	982,000
Regulatory fees	382,000	611,000
Accrued reorganization fees	-	155,000
Other accrued expenses	4,219,000	4,668,000
	<u>\$ 13,215,000</u>	<u>\$ 14,340,000</u>

(15) Other Current Liabilities (AMENDED)

As of December 31, 2002 and 2001, other current liabilities consisted of the following:

	<u>2002</u>	<u>2001</u>
Unredeemed chip/token liability	\$ 869,000	\$ 1,250,000
Employee Retirement Plan and Union Benefits	575,000	635,000
CRDA payable	568,000	633,000
CAB Liability	339,000	537,000
Other	670,000	763,000
	<u>\$ 3,021,000</u>	<u>\$ 3,818,000</u>

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

(16) Other Liabilities

As of December 31, 2002 and 2001, other liabilities consisted of the following:

	<u>2002</u>	<u>2001</u>
CRDA - East Hall liability	\$ 3,141,000	\$ 3,020,000
CAB non-current	-	339,000
Other	<u>304,000</u>	<u>480,000</u>
	<u>\$ 3,445,000</u>	<u>\$ 3,839,000</u>

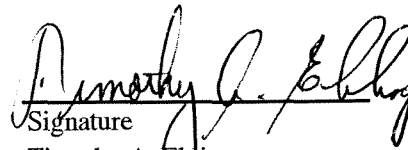
(17) Operating Leases

GBHC leases certain equipment and property. Total lease expense was \$2.5 million for the year ended December 31, 2002. The following table sets forth the future minimum rental commitments for operating leases:

2003	\$ 2,136,000
2004	1,986,000
2005	1,967,000
2006	1,998,000
2007	1,998,000
Thereafter	<u>\$10,430,000</u>
Total	<u>\$20,515,000</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.


Signature
Timothy A. Ebling
Executive Vice President,
Chief Financial Officer
Title

003052-11
License Number

On Behalf Of:

Greate Bay Hotel And Casino, Inc.
Casino Licensee

**SCHEDULE OF RECEIVABLES AND
PATRONS CHECKS**

LICENSEE: GREATER BAY HOTEL AND CASINO, INC.

FOR THE YEAR ENDED DECEMBER 31, 2002

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
**SCHEDULE OF RECEIVABLES AND
PATRONS' CHECKS**
FOR THE YEAR ENDED DECEMBER, 2002

AMENDED
7/7/03

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

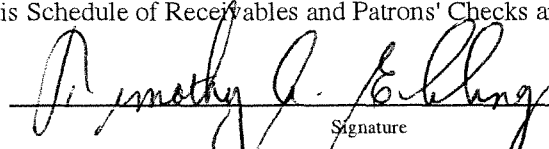
AMENDED

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 1,894		
2	Returned Patrons' Checks.....	13,403		
3	Total Patrons' Checks.....	15,297	\$ 11,020	\$ 4,277
4	Hotel Receivables.....	373	46	327
	Other Receivables:			
5	Receivables Due from Officers and Employees..	-		
6	Receivables Due from Affiliates.....	25		
7	Other Accounts and Notes Receivables.....	606		
8	Total Other Receivables.....	631	234	397
9	Totals (Form CCC-205).....	\$ 16,301	\$ 11,300	\$ 5,001

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 3,980,790
11	Counter Checks issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	71,233,950
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	(46,551,543)
13	Checks Collected Through Deposits.....	(20,220,464)
14	Checks Transferred to Returned Checks.....	(6,548,534)
15	Other Adjustments.....	
16	Ending Balance.....	\$ 1,894,200
17	"Hold" Checks Included in Balance On Line 16.....	\$
18	Provision for Uncollectible Patrons' Checks.....	\$ 2,378,293
19	Provision as a Percent of Counter Checks Issued.....	3.3%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.


Signature
Executive Vice President, Chief Financial Officer

June 27, 2003

Date

ANNUAL EMPLOYMENT

AND PAYROLL REPORT

LICENSEE: GREATE BAY HOTEL AND CASINO, INC.

FOR THE YEAR ENDED DECEMBER 31, 2002

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
ANNUAL EMPLOYMENT AND PAYROLL REPORT
AT DECEMBER 31, 2002

(\$ IN THOUSANDS)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO				
1	Administration	14	\$	\$	\$
2	Gaming	320			
3	Slots	206			
4	Casino Accounting	223			
5	Simulcasting	16			
6	Other	50			
7	Total - Casino	829	\$	\$	\$ 0
8	ROOMS	324			
9	FOOD AND BEVERAGE	617			
10	OTHER OPERATED DEPARTMENTS				
	VALET/HEALTH CLUB	44			
11	RETAIL SERVICES	8			
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	6			
21	Accounting and auditing	66			
22	Security	190			
23	Other administrative and general department	70			
24	MARKETING	128			
25	GUEST ENTERTAINMENT	167			
26	PROPERTY OPERATION AND MAINTENANCE	62			
27	TOTALS - ALL DEPARTMENTS	2,511	\$59,591	\$2,503	\$62,094

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.


TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

FOR THE YEAR ENDED DECEMBER 31, 2002

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 28, 2003
Date


Signature
Timothy A. Ebling
Executive Vice President,
Chief Financial Officer

Title

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2002

(\$ IN THOUSANDS)

LINE

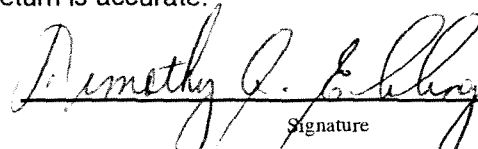
CASINO WIN:

1	Table and Other Games Win.....	\$	36,993
2	Slot Machines Win.....		172,833
3	Total Win.....		209,826
Less - Adjustment for Uncollectible Patrons' Checks:			
4	Provision for Uncollectible Patrons' Checks.....	\$	2,378
5	Maximum Adjustment (4% of line 3).....	\$	8,393
6	Adjustment (the lesser of line 4 or line 5).....		2,378
7	Gross Revenue (line 3 less line 6).....	\$	207,447
8	Tax on Gross Revenue - Reporting Year (8% of Line 7).....	\$	16,596
9	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years.....		-
10	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....		16,596
11	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....		16,596
Settlement of Prior Years' Tax on Gross Revenue			
12	Resulting from Audit or Other Adjustments - (Deposits) Credits.....		-
13	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12).....	\$	-

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 14, 2003

Date



Signature

Executive Vice President, Chief Financial Officer

Title of Officer